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UNITED STATES DEPARTMENT OF AGRICULTURE
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FARM AND FAMILY FINANCIAL PLANNING

Reserve

Address by Dorothy Simmons, State Home Demonstration Leader, University of Minnesota, at the 26th Annual Agricultural Outlook Conference, Washington 25, D. C., October 12, 1948

It has become almost trite to refer to the close relationship of the farm family and the farm business. Under Secretary Loveland expressed the idea again yesterday that the important thing to a farmer is the kind of living he can provide for his family. We have recognized that farm and home operate as a single unit. There is evidence, however, that many families have the problem of achieving better use of resources. I am supposed to discuss the question of allocating resources between farm and family needs. I have never attended a national outlook conference in which this problem has not come up for discussion. Many home economists have felt that funds were sometimes put into the farm business when there were rather urgent needs for the family's living. And farm-management men and others express concern when families attempt to maintain a standard of living or to make improvements in living that seem too high for the earning capacity of a given farm unit.

All of us recognize the importance of looking squarely at the whole situation and of planning farm activities in the light of certain family needs, and vice versa. Perhaps we need not be too greatly concerned about the family whose income and other resources are large enough to satisfy most of its desires. We do not care for the method of allocating funds between farm and home, in which an improvement in the house or similar expenditure for living is made every time money is invested in the farm. This method could work only for those families which have very generous incomes. Even there it misses the main point in financial planning for farm and home.

Most families have more needs than they can meet with the money they take in. Funds usable for improvements in family living are needed also for improvement or expansion in some of the farm enterprises. This typifies the situation in which an understanding of the needs for funds is necessary by the entire family. The problem is to allocate available resources in such a way as to make the greatest contribution in reaching the family's ultimate goal.

On the production side, the problem is to combine capital, labor, land, and abilities or skill in a way that will yield the greatest possible income from the resources used. On the consumption side, families have the problem of using their purchasing power, time, and energy, along with their knowledge, ability, or skills to achieve the greatest statisfactions in living, considering ultimate well-being along with immediate wants. If we try to put farm and home planning together, we get something more complicated. For each resource a choice must be made as to whether all of it shall go directly toward satisfying wants in living, or whether a portion shall be diverted back into income-producing channels or reserved for later use. For example, should the income from the farm which, on the consumption side, becomes purchasing power be used entirely and directly to provide

satisfactions in living; should part of it go into savings or to pay debts; or, should a part be diverted back into the business to increase capital, or to provide a bigger income or more purchasing power later. What part of the time and energy that is available within a family, and which of their skills and abilities should go directly into providing the conveniences, comforts and other satisfactions for living, and how much should be used as labor on the production side with the hope of increasing the income. The men's time, strength, and skills are usually thought of as used on the income side; and the women's for the living side. Yet, farm women often invest some of their time, strength, and skill in helping with poultry and other farm chores, to say nothing of the bookkeeping, telephoning, and errand work for the farm, and men care for children, shop for family groceries, and carry on other activities that are clearly in the consumption field.

In situations in which women still help a good deal with farm work, an investment in a new farm machine sometimes releases their time so the women can devote more of their energies to homemaking. In many cases, this permits significant improvements in the level of current living. We have examples of this in the Corn Belt. Where the mechanical corn picker is used, women and children are no longer needed for this work. In former times, whole families worked at the corn harvest. Schools in rural areas were dismissed for "a corn-picking vacation," so all could help. The milking machine is another advance in mechanization that has released women's time. At least where time or strength has been a limiting factor, wider use of certain farm machines as well as the accepted household conveniences permits more attention to family food problems, better care of children, more developmental activities for the whole family, and better kept home surrounding, etc. A worker in the South has said that marked improvements in living always come when a family makes the step from hoeing to plowing; because when women are released from at least part of the field work they do a better job with gardens and other activities for the direct benefit of the entire family.

The point is that decisions involving the allocation of any of their resources cannot be made intelligently unless families look at the whole problem. They must determine their goals or the satisfactions they want from living. Then they must decide whether these goals are best reached, or whether the ultimate satisfactions will be greater, if these resources--purchasing power, time and energy, knowledge and ability--are applied directly toward achieving these goals or whether they can best be applied first to the problem of increasing income so that ultimately, or over the long run, more purchasing power will be available for living. It is assumed here that one of the ways to increase satisfactions in living is to find ways to provide the factors of consumption more generously. That is, more purchasing power, more time and energy, more knowledge and ability, and more depth and breadth in choice-making, should result in more nearly reaching family goals, just as on the production side, more capital, more labor, more land, and more ability or skills, should increase the income. The other way is to make better use of the factors, to rearrange them, or to use them in different combinations.

I have mentioned family goals, most families have goals of some sort, although it sometimes appears that neither immediate nor long-time goals are definite enough or strong enough to motivate good use of family resources. Some generalizations may be made from our observations as to farm families' goals. A certain minimum of operating capital is a "must." Mechanized farm equipment seems high on the scale of wants, although in this matter custom is important. This is true also for the minimum household set-up. We don't know much about what constitutes "minimum." Many people shake their heads over the high level on which young farm couples in the Corn Belt are starting housekeeping these days. Expensive refrigerators and stoves are cited as signs of an inflated notion as to what constitutes minimum household equipment.

Security in the form of farm ownership is high in the scale of preferences or values. In fact, farm ownership appears to be about the only form of security farmers consider seriously. And the chastening that farmers have had in depressions has given security a high place in their scale of values.

An important group of goals for most families is tied up with whatever aspirations they have for their children. Many want their children to have advantages they didn't have. For example, they want better safeguards for their children's health, a better social status, better education, a better start in business for them.

Health is a goal too, although families often appear to take good health for granted in the early years, or until some impairment of health has been experienced.

Major farm housing improvements are important in families' scale of values although apparently they are not as high as security in the form of farm ownership.

Electricity ranked high on the preference scale. But many other home improvements appear to be much lower. According to the 1945 census, only about half as many farmhouses had running water as had electricity in both Iowa and Minnesota. This same ratio is shown in the 1947 figures Dr. Weiss quoted for the United States. This lag is being corrected as supplied for water installations are becoming easier to get. When such improvements are more common, and when more rural people have experienced the more favorable conditions, the preference rating for running water may rise too. This is illustrated by an observation in a group of families last spring. Various alternative uses for a sum of money were under discussion by the group, one of which was the installation of running water in the kitchen. One young farmer's wife said, "We really don't need that; nobody out our way has running water." And she went on to quote the fact that only 10 percent of farm families in that particular county had running water. This was supposed to clinch the argument that running water simply wasn't in the picture in her thinking.

Our educational programs probably do a great deal to put a family's desires on a higher level, both desires for greater satisfactions in living as well as desires for greater achievement on the agricultural

production and income side. We may even have made the error of trying to get families to set goals for themselves that are beyond the realm of possibility for the resources that they have available. Perhaps, too, families whose resources are limited have not always been able to select the more important goal to be worked upon first, with the result that they have failed to reach any of their goals and a feeling of frustration has resulted. This points to the need for a constant appraisal of available resources and a constant modification of goals as resources are changed either up or down, or as individuals are able to use their resources more efficiently.

We may not have given families as much help as we might have done in the matter of selecting goals, because we may not have been sufficiently aware of the values they hold, or the relative importance to the family of various activities or satisfactions. The values that people hold are, of course, most important in determining the goals which motivate much of the effort of the farm family. Miss Mattie Pattison of Iowa State College has some interesting material on values in her doctoral thesis, "Implication for Education in the Relationships Between Expressed Values of Certain Families and Their Expenditures for Living," (University of Chicago, unpublished.) She worked out a device for determining a family's hierarchy of values (or the relative importance of various values in a family) and succeeded in getting some farm families to check it. Then, she compared the family's scale of values with their expenditures for living. The values she used were these: (1) Status (or prestige), (2) social relationships, (3) beauty, (4) religion, (5) eduction, (6) economic security, (7) workmanship (satisfaction from efficient performance of tasks), (8) health and (9) recreation. The median pattern of values for this group of farm families showed that those ranking highest were: Religion, education, and health. The middle group of values included economic security, workmanship, and social relationships. The values lowest in importance were beauty, recreation, and status. Families in the study were most nearly alike in their low valuation of status, recreation and beauty. The widest variations were in the ranking of economic security, workmanship, and social relationships, The families varied widely in the degree to which their resources, in this case, money, were used for the realization of the values they considered most important. Of course, there is no implication that this is the scale of values for any families except those sampled. But the study told us two things: (1) That we need to know a good deal more about the values families hold if we are to understand the goals which motivate their activities; (2) that families need a good deal of help in using their resources in a way that will bring about the realization of goals or achievement in the line which their scale of values appears to indicate.

I wish that we might have some further study on the changes in family goals and in their scale of values as families progress through the life cycle. Certainly, the interests that motivate family efforts change a great deal from one stage of the life cycle to the next. For example, young families are under great pressure to accumulate the necessary capital to operate their farms. The advance in mechanization makes this pressure even greater. Many young couples, especially in more normal times, do not do very well unless they are willing to put a very high proportion of their income back into the farm enterprise.

Consequently, they must postpone many of the comforts in living that nonfarm people take for granted. Perhaps the only reason they can be satisfied under these circumstances is that they feel such tremendous satisfaction from their accomplishments in the growth of their business. In fact, it seems to me that this satisfaction from the growth of the business is sometimes so all-consuming that it crowds out other types of satisfaction for a longer time than is really necessary. One of our important contributions to families may be in helping them to realize what is a safe equity in their holdings. I realize this is not easy. When the ratio of debts to assets is below a safe level, investments for living probably shouldn't be considered.

Investments in living may include, for our purpose here, not only the usual consumption investments, like a modern kitchen, but also resources used for immediate consumption, such as a vacation trip or education, as the satisfactions fade only gradually through time. Some have suggested that certain nonproductive buildings or machinery which are purchased and kept for the satisfaction of ownership may also be included. In addition to investments of this type, we may include also improvements in the current level of living improvements in a family's food, clothing, recreational activities, etc.

If families have just barely passed a safe ratio of assets to debts, they probably won't give very high priority to investments in living when determining where available funds should be used. But as families approach a situation where there is little debt or in which cash or bonds are available to offset much of their debt, the range of alternatives widens. They have a choice of holding larger cash reserves (in bonds, etc.), of increasing the business, of investments in living or improvements in the level of current living, or possibly of an outside investment of some sort, which might be buying additional land. Many families (at least in the Corn Belt) are now in this situation, and it is interesting to note the number who are making investments in living--the number taking vacation trips, improving their homes, etc. It is true that improvements are very costly now, but alternative investments are overpriced too. And as the anticipated returns, or "dividends" from investments in improved homes are in terms of family satisfactions rather than dollars, these investments probably are less vulnerable to depreciation in times of depression than are investments of many other kinds. That is, the convenience of the kitchen, the step-saving from running water, etc., are equally satisfying through depression or inflation. Some are going ahead with improvements now, even though prices are unreasonable, because they want them for the sake of the children who will soon be grown up and gone.

But we have all seen too many families who felt they could not have a sink in the kitchen until the last dime was paid on their mortgage. Frankly I do not believe that the men in these families are any more responsible when this happens than are the women. It is my observation that women are more afraid of insecurity than are men. I have talked with many women who have expressed this to me; and one extension specialist who has worked on installation of water systems says that in families who have discussed the matter of water installation with the specialist and then have failed to proceed with their plans, it is often the women

who feel that it would be wiser not to put money into such an improvement while there was still indebtedness. This means, of course, that most families don't feel that they can proceed with house improvements until one of the later stages of the life cycle. This is illustrated by some figures from the Iowa home-account summary for 1947. We were aware that a great deal of money was going into capital improvement in houses and equipment. We were interested in looking at this from several angles; so we grouped the families according to the stage of the family life cycle to find what influence this factor seemed to be making in the amounts invested in the house improvements. We found a very consistent relationship. For young families without children the amounts going into capital investments in the house and into equipment averaged $252. There was a marked increase in this figure for each group as we moved from one stage to the next, until for families with children over 16, the figure for this item was $662. This has always been very regretable to home economists. In earlier stages of the family life cycle, the care of young children make extremely heavy demands on the homemaker's time and strength. It would seem that these earlier stages are the ones in which these improvements can contribute so much in cutting down drudgery. I see no solution to this problem so long as farm ownership remains the predominant way that farm families take to achieve security; and while farm ownership requires such a large proportion of a family's resources.

I have come to the time to summarize without defining the word planning. For our purpose, I like this definition: - "mapping out a course of action in order to reach immediate and long-time goals." My remarks have been limited to the question of allocating resources between farm and family needs, with no attempt to explore either farm planning or home planning. I have tried to emphasize the importance of immediate and long-time goals as a basis for any family's decisions. I have tried, too, to bring out the stage of the family life cycle as an important factor in mapping courses of action. The stage of the family cycle and a family's financial situation as to getting out of debt are often closely correlated--particularly where land ownership is so high in the scale of values; and where high-priced land and the expansion in expensive mechanized equipment require such big investments. I have tried to relate these two factors (that is, family life cycle and their financial situation) to progress toward better living--especially in farm housing. We must be realistic; families place a high value on security, but home values are as long run as investment values.

And above all, I want to reiterate my general thesis which is that families do a better job in financial planning if they are able to see, better the alternative uses of all their resource--money and capital goods, time and strength, their knowledge ability and skills--and then decide how they should be allocated; determining what portion should go now into satisfying family wants; what part should be diverted to income-producing uses, in order that the long time, or ultimate satisfactions will be maximized.